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A VICIOUS CIRCLE

Of Europe's Debt Crisis and Civil Resistance

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THE EVENTS WERE CLEARLY A sequel to the crisis over the US's public debt, and once again the need for introspection was all too obvious. On July 21, representatives of European governments agreed to a new package of loans to Greece, so as to pre-empt a default on Greece's obligations to its foreign creditors. The approval of the package did not signal a solution to Europe's debt crisis, but signaled the failure of the first package for Greece agreed on last year. Europe's financial market continued to slide, as they continued to be reigned by the fear that Greece will ultimately default, and that a default will have a domino effect on other states considered 'peripheral' to the European Union and to the Euro currency zone. Hence, by mid- August, Europe's two most powerful politicians, the French President Sarkozy and Germany's Chancellor Merkel, hastily got together for a bilateral summit. They launched fresh-sounding ideas, such as the view that economic policymaking should henceforth be coordinated in Europe and agreed that taxes should be levied on financial transactions. But these pronunciations were received with great skepticism. For days after the summit took place, share-prices on Europe's financial markets continued tumbling. Some European banks saw their share prices fall by 30 or 40% in just two weeks! Clearly, the Western world is beset not by one, but two major debt crises. And the question that urgently needs to be answered is this: how come Europe seems incapable of solving its own crisis?

To answer this question it is useful to scrutinize the case of Greece, which country is considered Europe's weakest link. When the world financial crisis erupted in 2008, most Western states resorted to lending massive amounts of money to save their tottering banks. Whereas previous to the crisis states belonging to the Euro zone were obliged to keep budgetary deficits within strict limits, - this rule was temporarily abandoned, and public debts of most European states grew apace. Thus, Germany's debt in 2010 reached a record level of 2 Trillion Euros, - up 18% from the previous year. It reportedly constituted 80% of the country's Gross Domestic Product (GDP). The public debt of Italy, which like Germany is considered a pillar of the European Union, stands at 120% of GDP. Hence, Greece is not by any means the only country in Europe which has failed to prevent a rise in the level of its debt. And yet the case of Greece is special. For as no other country in the Euro-zone it has become the target of ruthless speculation. Whereas Greece's public debt stands at a record 153% of GDP, the country is forced to pay interest rates to its lenders that are outright usurious. Hovering around 15%, Greece' payments over loans contracted with private lenders, such as French and German banks, is higher than the interest rate paid by any other state in the European Union. Some German economists argue that this is helpful since it forces Greece to put its house in order. But the interest rate primarily shows that Europe's leading banks dominate over the Union and its members.

One may next note the extraordinary inefficiency of the disciplinary measures imposed on Greece. When the country first threatened to default on its repayment obligations in April of last year, – the EU and the International Monetary Fund (IMF) together devised an 'aid'-package that included standard austerity measures, such as reductions in social spending and in wages of state employees. But also the obligation to sell-off 56 Billion Euro in state properties. Austerity measures and privatization of state-companies have, of course, been familiar conditionalities of the IMF's 'aid'-packages all through the era of neo-liberalism. But the unhealthy nature of the impositions has rarely been as quickly apparent as in the case of Greece. For whereas the EU and the IMF argue that the balancing of Greece's government budget is necessary in order to 'get the economy going', i.e. to help Greece resume its growth, the opposite has been the case. Last year, the Greek economy reportedly faced a negative growth rate of no less than 6.9%! Even a child could tell the EU and the IMF that, if debts exceed the amount a debtor manages to produce in one year, and if the interest rate over the debtor's debt, or over a major part of his debt, stands at 15%, he is unlikely to see his capital wealth growth. Instead it is likely he will sink further into the morass. Hence, the conditiona-lities imposed on Greece are not just deeply unjust. They bring the moment of Greece's default closer.

Before returning to a broader assessment of European policymaking, it is better to briefly note the fierceness of Greek resistance against the government's austerities. The measures being imposed in the wake of the 2008 financial crisis have evoked protests all over Europe. There were massive strike struggles by workers in France last October; Spain has seen the emergence of a new youth movement, the 'indignados', earlier this year; and England, well before violent riots of the unemployed youth erupted in London last month, had seen the emergence of a militant anti-austerity movement. In December of 2010 of instance, British students revolted against the reduction in educational budgets and against increases in university admission fees by Cameron's government. And numerous groups have staged direct actions against tax evasions by corporations, such as Vodafone. But it is in Greece where the anti-austerity protests have unequivocally taken the form of *civil disobedience*. On the one hand, the country's leading trade unions have staged general strikes, both when the first international plan against a default was adopted last year, and earlier this year. On the other hand, a reported 50% of Greece's population supports what's called the 'We Won't Pay' offensive. This notably has taken the form of people's refusals to pay for road-tolls, a system widely considered as highly corrupt. People in Greece's capital Athens also refuse to pay for the city's metro tickets, and in the country's second largest city, Thessaloniki, people have been running a bus-fare boycott. Both the struggles against privatizations and the road-toll protests have put Greece's parliament and government on the defensive.

Thus, Europe witnesses a growing gap between policymakers and the under-privileged were forced to bear the brunt of the crisis. The world financial crisis of 2008 has laid bare the need to tame the power of the financial sector, and the need for enhanced state-interventions. Yet contrary to other world powers, the EU and its member states have failed to institute any

significant civilian-keynesian policies. Whereas China and the US adopted measures to stimulate consumer demand and investments, - the European Union has continued singing its old tune, - obliging its members to re-balance their budgets while failing to develop any alternative to neo-liberalism. When the crisis over sovereign debts expanded, the EU felt compelled to partly counter the might of the European banks. It instituted a European level emergency fund of 440 Billion Euros and enhanced the role of Europe's Central Bank. Yet as events on Europe's Stock Exchanges in August have clarified: these measures are far from sufficient to tame the financial markets. As a sequel to the two mentioned innovations, politicians are now debating the idea of issuing Eurobonds. Meanwhile, few appear to realize that a far more drastic shift in European-level policymaking is called for. As the banks continue to play havoc over Europe's weaker states, one wonders when Europe's policymakers will wake up. □□□